

ROYAL COMMISSION

ATLANTIC ACCEPTANCE CORPORATION LIMITED

EXHIBIT No. 3670

PER                      REGISTRAR                      DATE 14.1.67

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REPORT  
of  
THE ROYAL COMMISSION  
APPOINTED TO INQUIRE INTO  
THE FAILURE  
of  
ATLANTIC ACCEPTANCE CORPORATION  
LIMITED

EXAMINATION OF C.P. MORGAN

Date of interview: October 29, 1965

Exhibit Number: 3670

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ROYAL COMMISSION

ON

ATLANTIC ACCEPTANCE CORPORATION LIMITED

EXHIBIT No. 3670

PER

REGISTRAR

DATE

IN THE MATTER OF THE BANKRUPTCY OF EVERMAC OFFICE  
EQUIPMENT COMPANY LIMITED, of the City of Toronto,  
in the County of York, in the Province of Ontario

EXAMINATION FOR DISCOVERY OF C. POWELL MORGAN

taken the 29th DAY OF OCTOBER, 1965

ONTARIO

In The ~~SUPREME~~ Court Of ~~ONTARIO~~

IN BANKRUPTCY

~~BETWEEN:~~

IN THE MATTER OF THE BANKRUPTCY OF EVERMAC  
OFFICE EQUIPMENT COMPANY LIMITED, of the  
City of Toronto, in the County of York, in  
the Province of Ontario. ~~Plaintiff~~  
~~vs~~

~~AND~~

~~vs~~

---

---

CONTINUATION EXAMINATION OF

C. POWELL MORGAN

- ☐ FOR DISCOVERY
- ☐ ON AFFIDAVIT
- ☐ AS JUDGMENT DEBTOR
- ☐ DE BENE ESSE

TAKEN October 29th, 1965.

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The Royal Commission on Atlantic Acceptance Corp., 454 University Ave.



IN THE SUPREME COURT OF ONTARIO  
IN BANKRUPTCY

IN THE MATTER OF THE BANKRUPTCY OF EVERMAC  
OFFICE EQUIPMENT COMPANY LIMITED, of the  
City of Toronto, in the County of York,  
Province of Ontario

This is the continuation of the  
examination of C. POWELL MORGAN, under Section 121 of  
the Bankruptcy Act, taken in shorthand before Peter W.  
McHugh, C.S.R., Special Examiner, at his Chambers Suite  
802 the Victory Building, 80 Richmond Street West, Toronto,  
Ontario, on the 29th day of October, 1965.

APPEARANCE:

D.E. BAIRD, ESQ.,                      for the Trustee

C. POWELL MORGAN, continued.

BY MR. BAIRD:

183 Q. Mr. Morgan, I would like to deal with the shares of Evermac and the ownership of them. Did you ever own any shares in Evermac?

A. No. I have never seen any shares of Evermac.

184 Q. Did you ever make an agreement with anybody that they would hold shares in trust for you or on your behalf?

A. No.

185 Q. Mr. Morgan, Mr. Tramiel was asked at page 22 of his examination at question 103 --

"On whose behalf were you holding the shares?

A. I would say in behalf of Mr. Morgan.

Q. Was there any written agreement to this effect?

A. Not as I can recollect."

Is this true?

A. No, it is not true.

186 Q. Mr. Morgan, Mr. Tramiel in his examination suggested that the purpose of the investment of the shares of the German Bank was to make a profit. I questioned him on page 97 of his examination at question 474 --

1 "Who was to make a profit?

2 A. Evermac."

3 I questioned him

4 "Why was Evermac entitled to make a  
5 profit when most of the money came  
6 from Aurora Leasing?

7 A. Because the company was owned by  
8 Morgan too.

9 Q. What company was owned by Morgan?

10 A. Evermac. How he gets the money,  
11 he arranged for money.

12 Q. But this company was not owned  
13 by Mr. Morgan. It was owned by you?

14 A. I am saying it was owned by Mr.  
15 Morgan."

16 Is that true, Mr. Morgan?

17 A. No, that is not true.

18 187 Q. I further questioned Mr. Tramiel --

19 "What is the basis of that?"

20 His answer was

21 "Because Mr. Morgan has used Evermac  
22 through the day by day operation and  
23 whenever the plan was, whenever the  
24 money would make profits, this money  
25 will go into companies, repeatedly  
26 again, which are sick at the present  
27 time and there is a number of companies.

28 Q. What companies are you referring  
29 to, Mr. Tramiel," was my question.  
30

"One company was told to me was a company called Pearl Musica." I believe he is referring to a company known as Pro Musica. Is that correct?

A. To a degree. In other words, the arrangement was, in return for the support I was giving him to acquire the German Bank, he indicated to me those shares could be marketed in six months time so there would be a substantial profit in the foreign market and this profit was to be put into equity capital in Pro Musica which naturally would assist Commodore in realizing on its investments in Pro Musica.

188 Q. So the arrangement was Evermac was to invest in the profit made out of the operations and the purchase of the German Bank shares?

A. That's correct.

189 Q. In common or ordinary shares of Pro Musica?

A. To improve their working capital in Pro Musica either by subordinated advances or equity capital.

190 Q. Was it only profit out of the transaction involving the purchase of the German shares which was to be used for this purpose, or all the profit of Evermac to be used for this purpose?

A. The profit coming out of those particular investments in the German Bank. Again,



1 I believe I said the last time that Mr. Tramiel  
2 intimated to me that the investment of the  
3 large amount of money in the German Bank would  
4 make it possible to borrow up to eighteen times  
5 the equity capital in Germany and through the  
6 borrowing of those funds, it would create a  
7 source of funds for Atlantic Acceptance which,  
8 in my opinion, is worth at least the placement  
9 fees and those placement fees would go to the  
10 German Bank the same as it would go to a local  
11 investment house here in Canada, usually about  
12 one and a half per cent. This would, of course,  
13 make an income for the bank.  
14

15 191 Q. I am concerned with the income for the  
16 bank. I am concerned with the profit Evermac  
17 was to realize from the sale of shares to the  
18 German Bank?

19 A. Well, the whole idea was that any  
20 of the profits first would go to strengthen the  
21 weak position in Pro Musica and anything there-  
22 after would go to the shareholders of Evermac  
23 which were, as far as I was concerned, Manfred  
24 Kapp, Jack Tramiel.

25 192 Q. What amount was designated -- what  
26 amount of the profit was designated to support  
27 the position of Pro Musica?

28 A. It was estimated and the amount was  
29 agreed at \$500,000.00.

30 193 Q. So Mr. Tramiel agreed that Evermac

1 would invest \$500,000.00?

2 A. Out of the profits from the German  
3 shares.  
4

5 194 Q. In the company known as Pro Musica?

6 A. Yes, correct.

7 195 Q. Is this agreement in writing?

8 A. No, but this was made from there and  
9 there are witnesses who can substantiate this.

10 196 Q. Who are those witnesses?

11 A. Mr. Harry Wagman and Mr. Lando.

12 197 Q. Where was the agreement made?

13 A. In Mr. Lando's office.

14 198 Q. Can you tell me when the agreement was  
15 made?

16 A. I can't give you the exact date, sorry.

17 199 Q. Was it made at the time you agreed to  
18 advance the money to Evermac for the purchase  
19 of the shares?

20 A. It would be immediately thereafter.

21 200 Q. Mr. Morgan, I questioned Mr. Tramiel  
22 as follows on page 101. At question 489 --

23 "If Mr. Morgan was running the company,  
24 why didn't you transfer all your shares  
25 to Mr. Morgan?

26 A. It seemed at that particular  
27 time it was not beneficial to Mr.  
28 Morgan.

29 Q. Why?

30 A. I can't answer this. He asked

1 if I would run the company and I did.

2 Q. If a man is entitled to profit,  
3 the man should have all the shares in  
4 the company?

5 A. It is normal but it was not here.  
6 In normal companies you see the same  
7 thing.

8 Q. What reason did Mr. Morgan give  
9 you for continuing to sign all documents  
10 on behalf of Evermac?

11 A. To help him out.

12 Q. To help him out in what fashion?

13 A. To be able to restore some of the  
14 companies which had big losses.

15 Q. He could have done this if he  
16 had the shares of the company?

17 A. I didn't ask. I didn't go into  
18 it that far. He asked to do him a  
19 favour and I did."

20  
21 Is this true, Mr. Morgan?

22 A. No, it is not true. The arrangement  
23 was briefly this -- the shareholders -- the  
24 shareholdings of Evermac was to stay where they  
25 belonged. That is, that Kapp and Tramiel, in  
26 return for me providing the necessary funds to  
27 give to the German Bank, the money from this  
28 profit was to go first to make up the loss of  
29 Pro Musica and this amount of money was agreed  
30 at this meeting which I drew your attention

1 to with Lando and Wagman, and it had never been  
2 my intention to take any shares of Evermac. The  
3 shares of Evermac were to stay where they were.  
4 All I was looking for was to improve Atlantic's  
5 position and get the weak position in Pro Musica  
6 taken care of.

7  
8 201 Q. Why was it necessary to have Evermac  
9 purchase the shares in the German Bank? Why  
10 didn't Atlantic purchase shares in the German  
11 Bank directly?

12 A. I believe I answered this before --  
13 for the simple reason by pushing it through  
14 Aurora, I had the overall guarantee of Aurora  
15 in addition to Evermac because of the general  
16 assignment of book debts and the investment  
17 between Atlantic and Aurora of some \$4,000,000.00.  
18 This gave a stronger covenant to the Aurora notes  
19 than if they came directly from Evermac.

20 202 Q. Have you ever seen the note from Evermac  
21 to Arora which you have stated previously was  
22 endorsed to Commodore Sales Acceptance Limited?

23 A. I didn't say the note from Evermac  
24 was endorsed to Commodore Sales Acceptance. No,  
25 I have never seen it.

26 203 Q. It wasn't endorsed then?

27 A. In other words, there would be a note  
28 from Aurora, separate note, not necessarily for  
29 the same amount because it was a continuous  
30 flow of money in and out.



1  
2 204 Q. As far as you know, the note from  
3 Evermac was not endorsed to Commodore Sales?

4 A. The receivables from Evermac came in  
5 under the umbrella of the general assignment  
6 of book debts.

7 205 Q. Mr. Morgan, I questioned Mr. Kapp and  
8 I quote to you from page 38 of the examination of  
9 Mr. Kapp, at question 192 --

10 "You owned 50% of the company. Did  
11 you own 50% of the company?

12 MR. POMERANT: Just a moment.  
13 Mr. Kapp has never said he owned 50%  
14 of the company.

15 Q. Did you own 50% of the company?

16 A. The shares were in my name, I  
17 told you before.

18 Q. Did you own them in your own  
19 right?

20 A. I think I explained that before  
21 to you that when---

22 Q. Please answer my question. Did  
23 you own them in your own right? Were  
24 you entitled to any profit made by  
25 Evermac, or was someone else entitled  
26 to the profit?

27 A. I understand Mr. Morgan was  
28 entitled to them.

29 Q. Did you have a written agreement  
30 with him that he was entitled to the

1 profits?

2 A. No.

3 Q. Did Mr. Tramiel have any agreement  
4 with Mr. Morgan that he was entitled to  
5 the profits?

6 A. Not that I know of.

7 Q. But you always thought Mr. Morgan  
8 was entitled to any profits made by  
9 Evermac?

10 A. Yes.

11 Q. Did Mr. Morgan ever discuss this  
12 with you?

13 A. There had been some discussion.

14 Q. What was the nature of the  
15 discussion?

16 A. To convert to shares, change the  
17 name but it was never carried out.

18 Q. What do you mean?

19 A. There was some discussion to  
20 turn the shares over to him.

21 Q. Turn the shares over to him  
22 personally?

23 A. Yes.

24 Q. When did this discussion take  
25 place?

26 A. I don't know. There was company  
27 discussion.

28 Q. Why didn't you turn the shares  
29 over to Mr. Morgan at the time he  
30

1 started directing the transactions?

2 A. I don't know why really but it  
3 is one of those things that hadn't been  
4 done.

5 Q. Why were you prepared to sign  
6 those documents, and enter into all  
7 those transactions when you didn't  
8 consider you were entitled to the  
9 profits?

10 A. As I said before, my prime  
11 concern was Commodore and for that  
12 particular reason, we went along in  
13 some of those transactions.

14 Q. Did you have a firm under-  
15 standing with Mr. Morgan that he was  
16 entitled to your share of the profits  
17 of the company of Evermac?

18 A. There was not an understanding."

19 Is this true?

20 A. It is a complete tissue of fabrication.  
21 It is not true at all. I still repeat my original  
22 intention -- there was never any thought on my  
23 part to take any of the shares of Evermac from  
24 the two men in question. All I wanted to do  
25 was in respect of the profit they made in  
26 Evermac out of the German transaction would go  
27 to make an investment in Pro Musica which was  
28 the item we were dealing with at that particular  
29 time, and by doing this, this would do two things.  
30

1  
2 It would give me a stronger company in Atlantic  
3 and would also mean they would personally, for  
4 their work in connection with doing it, would  
5 get a material reward out of it.

6 206 Q. What is your connection with Pro Musica?

7 A. Nothing. It is just a customer of  
8 Commodore Sales Acceptance.

9 207 Q. Who are the officers of Pro Musica?

10 A. A chap by name of Haddrath was the  
11 original President of the company and I think  
12 his wife was part of the Board. It was one of  
13 the companies that had the importation of Lowe  
14 optic goods into Canada and was one of the  
15 companies we did a lot of business with in  
16 the early years of Commodore. It got into  
17 financial difficulties and by reason of the  
18 fact that Tramiel and Kapp were in that similar  
19 line of business, it was turned over to them to  
20 run.

21 208 Q. When was it turned over to them to  
22 run?

23 A. I can't tell you the exact date but  
24 Mr. Wolfrey can give it to you.

25 209 Q. Were shares of the company transferred  
26 to them as well?

27 A. No. I think the shares are still in  
28 Commodore Sales' name signed back to Haddrath.

29 210 Q. Mr. Haddrath had assigned the shares  
30 to Commodore.



1 A. Yes. There was a long history of work  
2 with Pro Musica and I think that Clarksons can  
3 give you all the complete details on that.

4 211 Q. Were you ever an officer or director  
5 of Pro Musica?

6 A. Never.

7 212 Q. As far as you know, were Messrs. Tramiel  
8 or Kapp ever officers or directors of Pro Musica?

9 A. No. I think all they were doing was  
10 managing the company and trying to save and  
11 salvage and cut down the expenses of Pro Musica  
12 and to pay off the loans to Commodore.

13 213 Q. I am advised that Pro Musica had  
14 numerous dealings with Commodore Business Machines.  
15 Can you tell me why they would be dealing with  
16 Commodore Business Machines?

17 A. Well, as I say, they were in similar  
18 lines of work, I think particularly in the  
19 radio field, and Mr. Wolfrey can give you a  
20 much better chronological position with regard  
21 to when Pro Musica was given over to Kapp and  
22 Tramiel to manage.

23 214 Q. Just one further point. Why would  
24 they have dealings with Commodore Business  
25 Mac hines?

26 A. Pro Musica?

27 215 Q. They appear to be an importer and  
28 they would sell to dealers. Why would they  
29 deal with Commodore Business Machines?  
30

1 A. They were what you would call a dealer.  
2 In other words, I think it brought in those  
3 Phillips talking---

4 216 Q. Tape Recorders?

5 A. Tape recorders was one of the things  
6 they brought in. Mr. Vogt, who was with Pro  
7 Musica at that time -- he is quite a competent  
8 technician and Mr. Tramiel felt he could help  
9 Commodore by increasing the sales and distribution  
10 of facilities of Commodore Business Machines who  
11 had Trans Canada agreements with Eatons and  
12 Simpsons, Hudsons Bay Company, and other retail  
13 outlets. They sold typewriters.

14 217 Q. Do you know how much money was owing to  
15 Commodore Sales by Pro Musica at the time it  
16 was turned over by Messrs. Tramiel & Kapp?

17 A. I couldn't give you the exact figures  
18 whether it would be \$600,000.00 or \$700,000.00.  
19 I don't know the exact amount. It was quite a  
20 big operation.

21  
22  
23 ---Off the record discussion.

24  
25 BY MR. BAIRD:

26 218 Q. Mr. Morgan, did you authorize Evermac  
27 to make loans to Messrs. Tramiel and Kapp?

28 A. No. I know nothing about the loans  
29 from Evermac to Mr. Tramiel or to Mr. Kapp.

30 Again, I repeat I was not an officer. I did

any transactions made in Evermac were made by the two gentlemen in question.

219 Q. Mr. Morgan, the shares of the Hugo Oppenheimbank (Canada) Limited were owned by the Berlin Bank---

A. Shares of what?

220 Q. Shares of Hugo Oppenheimbank (Canada) Limited were owned by the Berlin Bank and subsequently, Mr. Tramiel entered into an agreement dated July 1st 1965 whereby the shares of the Hugo Oppenheimbank would be transferred to him by the Berlin Bank in return for the surrender of the shares of the Berlin Bank which were registered in the name of Mr. Tramiel. I would like to show you a copy of this agreement. This is a translation of the agreement between Jack Tramiel and the Hugo Oppenheimbank, Berlin, dated July 1st, 1965 and I would enter that as Exhibit 1.

---EXHIBIT NO. 1: Translation of agreement between Tramiel and the Berlin Bank dated first July 1965.

BY MR. BAIRD:

221 Q. The general effect of this agreement is that Mr. Tramiel was surrendering all the shares which were purchased by him in the Berlin Bank in return for the transfer to him of certain assets or investments which had been

1 made by the Berlin Bank. Did you authorize  
2 Mr. Tramiel to enter into this agreement?

3 A. I have no knowledge of this agreement  
4 until this is shown to me. I also have not  
5 physically seen Mr. Tramiel since Sunday, 13th  
6 June.

7  
8 222 Q. Mr. Morgan, there is in the minute book  
9 of the Hugo Oppenheimbank (Canada) Limited an  
10 agreement dated June 11th, 1965 between Hugo  
11 Oppenheimbank (Canada) Limited as vendor, and  
12 Jack Tramiel and Manfred Kapp as purchasers  
13 and the agreement provides that the vendor shall  
14 sell 75,000 common shares of Atlantic Acceptance  
15 Corporation Limited to the purchasers. Would you  
16 examine this agreement and advise me whether you  
17 authorized Mr. Tramiel and Kapp to enter into  
18 this agreement?

19 A. I have examined this agreement and I  
20 did not authorize it. I had no right to  
21 authorize it in the first instance, but as  
22 far as I am concerned, I have never seen it  
23 until now.

24 223 Q. Were you aware of the fact that Messrs.  
25 Tramiel and Kapp entered into this agreement  
26 with Hugo Oppenheimbank (Canada) Limited?

27 A. No, I was not. I would like to qualify  
28 this to this extent. I had heard by way of the  
29 grapevine that Messrs. Tramiel and Kapp, had  
30 put up 75,000 of Atlantic Acceptance on the



1 closing with Traders Finance, the Wilson's  
2 Stationery deal. At a meeting about this  
3 date---

4 224 Q. You say "about this date".

5 A. I think it is around the 11th or  
6 early -- before Atlantic went into receivership.  
7 I advised Aubrey Medland, one of our directors,  
8 that I had heard this, and he in my presence,  
9 called Mr. Tramiel and put him on notice that  
10 he felt this transaction, regardless of how  
11 they got hold of the shares was, in his opinion,  
12 one which should be completed and Tramiel gave --  
13 Mr. Medland told me after the conversation with  
14 Mr. Tramiel that he had a right to deal with them.

15 225 Q. Was Mr. Medland an officer or director  
16 of Commodore Business Machines at that time?

17 A. He was a director of Commodore Business  
18 Machines.

19 226 Q. Were you a director of Commodore Business  
20 Machines at that time?

21 A. I had resigned.

22 227 Q. Was there a meeting of the Board of  
23 Directors of Commodore Business Machines  
24 concerning the purchase of Wilson Stationery?

25 A. Yes, originally. At that time I was  
26 Chairman of the Board and it was approved in  
27 regular form in the minutes of the Commodore  
28 Business Machines.  
29

30 228 Q. At that meeting, was there any reference

1  
2           to the fact that Messrs. Tramiel and Kapp would  
3           be putting, as security, 75,000 shares of Atlantic  
4           Acceptance Corporation Limited?

5           A.           None whatsoever.

6   229       Q.           Was there any reference in the actual  
7           agreement which was signed between Commodore  
8           Business Machines and the owners of Wilson  
9           Stationery dealing with that?

10          A.           All I had to do was that they had  
11           agreed, in the purchase of the shares of  
12           Wilson, to pay in cash about the 20th June,  
13           the purchase price which was somewhere in the  
14           neighbourhood of 2.9 million dollars. The  
15           President was authorized at that time to arrange  
16           financing in the best interest of the company  
17           and to bring it back to the Board for approval.  
18           Subsequent to that meeting, I resigned as  
19           Chairman after this thing about the cheques  
20           coming out of Nassau, and it became a bit of  
21           a personal problem from the Press and so as a  
22           matter of, shall we say, just to clarify the  
23           air, I resigned as Chairman of the Board.

24  
25   230       Q.           Did you also resign as director?

26          A.           Yes. At the time of the closing of  
27           this agreement to which you have drawn my  
28           attention, I was not a director or officer of  
29           the company.  
30

1 to the fact that Messrs. Tramiel and Kapp would  
2 be posting, as security, 75,000 shares of Atlantic  
3 Acceptance Corporation Limited?

4 A. None whatsoever.

5 229 Q. Was there any reference in the actual  
6 agreement which was signed between Commodore  
7 Business Machines and the owners of Wilson  
8 Stationery dealing with that?

9 A. All I had to do was that they had  
10 agreed, in the purchase of the shares of  
11 Wilson, to pay in cash about the 20th June,  
12 the purchase price which was somewhere in the  
13 neighbourhood of 2.9 million dollars. The  
14 President was authorized at that time to arrange  
15 financing in the best interest of the company  
16 and to bring it back to the Board for approval.  
17 Subsequent to that meeting, I resigned as  
18 Chairman after this thing about the cheques  
19 coming out of Nassau, and it became a bit of  
20 a personal problem from the Press and so as a  
21 matter of, shall we say, just to clarify the  
22 air, I resigned as Chairman of the Board.

23 230 Q. Did you also resign as director?

24 A. Yes. At the time of the closing of  
25 this agreement to which you have drawn my  
26 attention, I was not a director or officer of  
27 the company.

28 231 Q. Do you know whether there was a meeting  
29 of the directors of Commodore Business Machines  
30

1 at which time the financing arranged by the  
2 President was approved by the Board of Directors?

3 A. I don't know. You would have to ask  
4 one of the directors. I think the directors at  
5 that time were Solomon, Wagman, Goodfellow, Kapp,  
6 and Tramiel.

7 232 Q. Had Mr. Medland resigned as a director  
8 of Commodore Business Machines at that time?

9 A. Mr. Gregory, myself, and Mr. Medland  
10 had resigned at that time.

11 233 Q. Was Mr. Medland still a director of  
12 Commodore Business Machines when he made the  
13 phone call to Mr. Tramiel you previously referred  
14 to?

15 A. I am not certain whether he had just  
16 resigned or whether he was still a director. I  
17 believe he had just resigned.

18 234 Q. I would now like to deal in detail  
19 with transactions involving the Berlin Bank.  
20 Mr. Pomerant asked Mr. Tramiel at page 35 of  
21 his examination---

22 "Would your position with the German  
23 Bank be approximately the same as your  
24 position with Evermac.

25 THE DEPONENT: Same thing.

26 MR. POMERANT: That is, you  
27 would be apparently head of the company.

28 THE DEPONENT: Yes.

29 MR. POMERANT: But the effective  
30

control of the company was exercised---

THE DEPONENT: By Mr. Morgan.

As I mentioned before, the whole idea of going back to 1960 some time was to create a company like Evermac or to reactivate it to be able to tap out the other companies where Mr. Morgan was involved.

Q. One further question to further clarify it. When you acted as Chairman of the Hugo Oppenheimbank in Berlin, did you make any decisions on your own initiative or did you take instructions from Mr Morgan?

A. I took instructions from Mr. Morgan but the majority of the decisions -- in Germany the Chairman cannot make any decisions."

Is that true, Mr. Morgan?

A. Absolutely untrue.

235 Q. Did you give any directions to the Berlin bank concerning---

A. None whatsoever.

236 Q. Please let me finish my question. Concerning the investments made by the Berlin Bank or the purchase of shares made by the German Bank?

A. I believe I answered this question previously. The only suggestion I made to Mr.

Tramiel was that the purchases, or to make the loan to Cimcony Limited was part of the original deal, the original agreement.

237 Q. The Berlin Bank invested in the shares of the Hugo Oppenheimbank (Canada) Limited. Did you authorize, or direct this?

A. No sir.

238 Q. The Berlin Bank also appears to have purchased shares and debentures of Commodore Business Machines. Did you authorize this?

A. Mr. Tramiel did it.

239 Q. Mr. Tramiel stated that he entered into negotiations for the purchase of the common stock, of the Treasury stock of the Berlin Bank, that he was acting on behalf of Mr. Morgan and Evermac Office Equipment. Is that true?

A. No. It is -- well, I will clarify it this way. Money was advanced to Evermac Office Equipment to acquire 80% of the German Bank in return for Mr. Tramiel agreeing to turn over up to \$500,000.00 worth of the profits on the subsequent sale of the German Bank shares to and on behalf of Pro Musica and, in addition, he agreed to arrange a loan for Cimcony to purchase the Atlantic shares to the extent of approximately two-thirds of the purchase price.

240 Q. I would like to clarify the transaction involving the Berlin Bank and Cimcony Limited.

I understand the Berlin Bank purchased approximately

1 \$2,000,000.00 worth of shares of Atlantic. In  
2 turn, they sold those shares to Cimcony Limited.  
3 Is that correct?

4 A. That is correct.

5 241 Q. Are you an officer or director of  
6 Cimcony Limited?

7 A. No, I am not.

8 242 Q. How was Mr. Tramiel involved in a  
9 negotiation with Cimcony Limited?

10 A. How was he involved in it?

11 243 Q. Yes?

12 A. Mr. Tramiel and Mr. Weinrott and I  
13 had a meeting and arranged the transaction.

14 244 Q. I understand part of the transaction  
15 involved Cimcony Limited purchasing outright  
16 33,500 shares of Atlantic Acceptance and the  
17 balance of the shares were retained by the Berlin  
18 Bank as security for the balance of the purchase  
19 price?  
20

21 A. I am not familiar with the method of  
22 investment loans in Germany but it was done on  
23 a purchase agreement at, I believe, \$18.10 and  
24 it was worked out over a period of time to  
25 conform with the German Law. This agreement  
26 was worked out entirely by Mr. Tramiel and his  
27 attorney in Berlin.

28 245 Q. Where did Cimcony Limited obtain the  
29 funds for the purchase, or for payment of part  
30 of the purchase price of the shares of Atlantic?

1 A. I made funds available through Aurora  
2 to Cimcony Limited to the extent of some  
3 \$500,000.00.

4 246 Q. Aurora loaned---

5 A. Cimcony Limited.

6 247 Q. ---\$500,000.00?

7 A. Yes, that's right.

8 248 Q. I asked Mr. Tramiel at page 95 of his  
9 examination--

10 "What was the purpose of the bank" --  
11 I was referring to the Berlin Bank --

12 "purchasing shares of Atlantic Acceptance?"  
13 His answer was --

14 "To make a profit."  
15 I asked him further --

16 "Was there any other reason than making  
17 a profit that you were aware of, Mr.  
18 Tramiel?

19 A. I have many reasons in my head  
20 today but I didn't have on that partic-  
21 ular day.

22 Q. What are the reasons that you  
23 suspect now?

24 A. The only reason was, I would  
25 like to say again, that Mr. Morgan  
26 was trying to buy a certain amount of  
27 Atlantic shares which he could have to  
28 his control and that was the reason  
29 he asked me to increase the capital or  
30



1 buy more shares in the bank."

2 Is that true, Mr. Morgan?

3 A. This is about three or four questions  
4 you have asked in that sentence. Mr. Tramiel  
5 stated he had bought the shares of Atlantic  
6 through the bank to make a profit. This is true  
7 because shares were immediately sold to Cimcony  
8 Limited for a mark-up of ten cents a share plus  
9 the December 1964 dividend and the 120,000 shares  
10 which would be roughly \$24,000.00 -- 20 cents  
11 a share, so he created a profit for the German  
12 Bank by entering into this transaction of some  
13 \$36,000.00. In view of the fact that the shares  
14 were immediately sold, he acquired for the  
15 German Bank, an investment, or at least a loan  
16 which was bearing interest at 7½%.

17  
18  
19 ---Off the record discussion.

20  
21 BY MR. BAIRD:

22 249 Q. The reason -- the other reason Mr.  
23 Tramiel gave us was

24 "That Mr. Morgan was trying to buy a  
25 certain amount of Atlantic shares  
26 which he could have to his control ---"  
27 Is that correct?

28 A. That is not correct. The only -- I  
29 can clarify that. Mr. Weinrott had indicated  
30 to me Cimcony would give me the proxy. As far

1 as the ownership is concerned, it wasn't mine.

2 250 Q. Why did you want the proxy from Mr.  
3 Weisbrodt for the voting powers for the shares?

4 A. Well, it was in Atlantic's interest to  
5 have all proxies that we could. It was just  
6 a gentleman's agreement.

7 251 Q. Why was it in Atlantic's interest for  
8 you to hold the proxies?

9 A. Well, by holding the proxy, I mean they  
10 would vote with the current management of  
11 Atlantic which at that time involved myself.

12 252 Q. Why were the shares not sold directly  
13 by Atlantic to Cimcony Limited?

14 A. I believe I answered this previously  
15 too but I repeat the German Bank is an exempt  
16 corporation under the Toronto Stock Exchange and  
17 Cimcony was not.

18 253 Q. Mr. Morgan, I questioned Mr. Tramiel  
19 concerning the shares of Commodore Business  
20 Machines which were purchased from Evermac by  
21 the Berlin Bank. At page 143, question 704,  
22 I asked Mr. Tramiel --

23 "Who decided on behalf of the bank in  
24 Berlin they would purchase shares from  
25 Evermac?

26 A. Mr. Wirth.

27 Q. Did you agree to it?

28 A. Yes.

29 Q. Did Mr. Wirth do this on his own  
30

1 initiative or receiving instructions  
2 from someone else?

3 A. Again as the manager, he would  
4 do it on his own initiative. I would  
5 like to say again he was advised that  
6 if he could market in Germany<sup>any</sup>/of the  
7 securities like Atlantic Acceptance,  
8 or Commodore Business Machines or any  
9 of those companies to his customers,  
10 he should sell.

11 Q. Who gave him this advice?

12 A. This advice was given to him by  
13 Mr. Morgan. I was present by myself  
14 when we were together in Nassau."

15  
16 Is this true, Mr. Morgan? Did you advise Mr.  
17 Wirth of the Berlin Bank to market securities of  
18 Atlantic Acceptance or Commodore Business Machines?

19 A. I didn't advise Mr. Wirth to do anything  
20 of the sort but I tried to make an arrangement  
21 with Mr. Tramiel through Mr. Wirth. I never gave  
22 Mr. Wirth any direct orders of any kind. I had  
23 no connection with the bank but I do admit, and  
24 I go back to my original reason for increasing  
25 the capital of the bank. It was to increase  
26 the merchandising of Atlantic secured notes and  
27 subordinated notes in Europe. Money was getting  
28 tighter in Canada and the United States and  
29 at this particular time when money was a lot  
30 cheaper in Germany and the idea was that those

1 investments in the normal way, could be merchan-  
2 dised in Germany as the bank in Germany was what  
3 we would consider a broker here in Canada. They  
4 had a licence to deal in securities and they  
5 could buy on behalf of their customers a large  
6 block of Atlantic investment certificates and  
7 then resell an interest in those securities to  
8 their own depositors. That is the only reason  
9 I had any dealings whatsoever with the German  
10 Bank which was to improve the distribution of  
11 Atlantic securities overseas.  
12

13 254 Q. Cimcony transferred certain shares of  
14 Atlantic Acceptance to Mr. Tramiel and at page  
15 145 question 714, I asked him --

16 "Would Cimcony direct that any of the  
17 shares they pledged from the German  
18 Bank be delivered to you?

19 A. Yes.

20 Q. Why?

21 A. Because Cimcony was trying to --  
22 now, Cimcony -- I was told by Mr.  
23 Weinrott if it is possible that a certain  
24 amount of shares could be sold for him  
25 so he could get this money because Mr.  
26 Morgan has promised him to pay him a  
27 certain commission, certain moneys which  
28 Atlantic Acceptance has borrowed through  
29 him and this money did not come and for  
30 that reason he needs money and we are all

1 well secured in the bank if I in some  
2 way, convince Mr. Wirth to release a  
3 certain amount of shares and sell them.  
4 At that particular time after discussing  
5 with Mr. Morgan, Mr. Morgan asked please  
6 if I could do it for him. I myself went  
7 ahead---

8 Q. You said after discussing it with  
9 Mr. Morgan. Previously you said you  
10 discussed it with Mr. Weinrott. I am  
11 not clear, Mr. Tramiel. You said first  
12 that Mr. Weinrott had asked you to sell  
13 the shares because he needed money?

14 A. Right.

15 Q. Because Atlantic Acceptance, or  
16 Mr. Morgan had not paid him money which  
17 they were to pay him?

18 A. There was a delay in paying him  
19 money. I checked this with Mr. Morgan.  
20 Mr. Morgan asked me if I would please  
21 instruct the bank that they should sell  
22 a certain amount of shares or release a  
23 certain amount of shares, of the Cimcony  
24 shares, so this man could get some money  
25 because he is very tight of money at the  
26 present time. This is Morgan said he was  
27 very tight of money at the present time.  
28 So I have given those instructions to  
29 Mr. Wirth and I bought those shares,  
30

1 those 7,000 shares.

2 Is this true, Mr. Morgan?

3 A. I don't know. I can't trace the question  
4 in its context.

5 255 Q. The question was -- the question  
6 generally is did Atlantic Acceptance owe Cimcony  
7 Limited any money?

8 A. They owed Cimcony for placement of  
9 securities which were not yet due. In other  
10 words, it wasn't due -- it was on a three year  
11 placement with a renewal clause attached so  
12 Atlantic had already paid the commission on  
13 the first year part of the transaction and if  
14 it was renewed for the second and third year,  
15 Cimcony at that time would have had an additional  
16 amount of money coming. This commission not  
17 being due, it was not. They did not have to pay  
18 it.  
19

20 256 Q. What securities did they place for  
21 Atlantic Acceptance?

22 A. They placed long term subordinated  
23 debt.

24 257 Q. Was this transaction separate from the  
25 transaction involving the purchase of the shares  
26 of Atlantic Acceptance?

27 A. Yes. This was their function. They  
28 were acting as the outside United States'  
29 representative to place long term securities  
30 for Atlantic and thus they had done a fair

1 amount of this and also with the consent of  
2 Kuhn Loeb, our New York Investment people, they  
3 were attempting to place some subordinated debt.  
4

5 ---Off the record discussion.  
6

7  
8 BY MR. BAIRD:

9 258 Q. Were you aware of the fact that certain  
10 of the shares which were being purchased by  
11 Cimcony Limited were released by the German  
12 Bank and transferred to Mr. Tramiel personally?  
13 A. I wasn't aware they were transferred  
14 to Mr. Tramiel personally. I was aware that  
15 Mr. Weinrott had a problem with his financing  
16 of Cimcony and the house in Nassau and he needed  
17 additional funds and by reason of the fact the  
18 market price of Atlantic was then around \$21.00  
19 where they were buying them for \$18.10, he,  
20 Mr. Weinrott, asked me whether or not I would  
21 prevail upon Mr. Tramiel to see whether or not  
22 he could sell part of them and remit that part  
23 of the transaction to him so it would help him  
24 out financially. I spoke to Mr. Tramiel and  
25 suggested to him, if he saw his way clear  
26 with the German Bank and they were fully secured,  
27 to do it as a favour to Mr. Weinrott. I didn't  
28 know Mr. Tramiel had bought them personally but  
29 in any event, if they were bought personally by  
30 Mr. Tramiel, all that would mean would be that

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1           whatever the agreed price was, was paid into the  
2           German Bank and would reduce the amount of  
3           Cimcony's loan. If he paid it out directly to  
4           Mr. Weinrott without reducing the loan, this of  
5           course was a transaction between the bank and  
6           Mr. Weinrott of which I have no knowledge.

7  
8       259       Q.           The German Bank also delivered to the  
9           Hugo Oppenheimbank (Canada) Limited 12,000 shares  
10          of Atlantic Acceptance Corporation Limited on  
11          February 25th 1965. Mr. Tramiel was questioned--

12                "Why were those delivered to Hugo  
13                Oppenheimbank (Canada) Limited?

14           A.           Those shares were delivered again  
15           on the instruction from Mr. Morgan, to  
16           be able to have those shares here and  
17           in case we need the shares against  
18           collateral to borrow money, we should  
19           have them here. Also, to have the  
20           balance of the shares here so that we  
21           wouldn't have to pay any tax because  
22           if they are in the name of Hugo Oppen-  
23           heimbank, Germany, there is a 15% tax.  
24           If it would be in the name of the  
25           daughter company which is quite a normal  
26           way, I was told they should be held here  
27           in Canada. Now, the German Bank at the  
28           time gave us authorization and trans-  
29           ferred all the shares to do business,  
30           normal business, to pledge the shares,



1 or to borrow the shares."

2 A. I have answered this question before  
3 and I give you the same answer. I had no  
4 knowledge of this transaction at all nor did I --  
5 nor was I aware there were any taxes involved.  
6 I know the shares reached this country because  
7 they were apparently placed with O'Brien &  
8 Williams.

9  
10 260 Q. You were aware of the fact that the  
11 shares Cimcony had agreed to purchase from the  
12 German Bank had been delivered to Canada but you  
13 were not aware of the person in whose name the  
14 shares were registered and you were not aware  
15 of what transactions were made involving the  
16 shares. Is that correct?

17 A. I had nothing to do with the handling  
18 of Atlantic shares in Canada & all.

19 261 Q. Also, at page 149, Mr. Tramiel has  
20 stated "---Morgan felt those shares should  
21 be transferred to the Canadian Company,  
22 to Hugo Oppenheim (Canada) Limited".

23 Is that true?

24 A. I have no knowledge, or any connection  
25 with the switching of Atlantic shares from  
26 Germany to Canada. When I found out they were  
27 here, I was astounded.

28 262 Q. At page 152, question 743, the question  
29 was -- "Who instructed the Canadian Bank to  
30 use these shares as collateral for those loans?

1  
2 A. This was authorized in Germany  
3 and when we had them here and when we  
4 needed money, and after discussing it  
5 with Morgan, saying we need \$100,000.00,  
6 whatever it is, he says, 'Why don't  
7 you borrow the amount and give O'Brien  
8 & Williams, or Eastern Trust to borrow  
9 against it,' and this was done, and we  
10 done it."

11 Did you authorize Hugo Oppenheimbank (Canada) to  
12 borrow money from O'Brien & Williams and Eastern  
13 Trust and to pledge shares of Atlantic Acceptance  
14 Corporation as security?

15 A. I did not, for the simple reason that  
16 I could not authorize any loan. I will go back --  
17 I say I did not. Mr. Tramiel had asked me for  
18 an additional \$100,000.00. I told him I could  
19 not in any way, shape or form, make loans and  
20 take, as security, shares of Atlantic Acceptance  
21 Corporation. It is quite possible that during  
22 the discussion that I said the only way that I  
23 knew of he could borrow the money was to borrow  
24 money in the normal way through a broker. I did  
25 not tell him to do it.

26  
27 263 Q. At this time, were you aware of the  
28 fact that those Atlantic shares which he referred  
29 to were the shares of Atlantic Acceptance which  
30 were purchased by Cimconv Limited by the Berlin

1 A. I was aware by an indirect situation  
2 because I knew that those shares must have come  
3 from that group of shares because there weren't  
4 blocks of 12,000 shares of Atlantic anywhere  
5 else.

6 264 Q. Did you concern yourself with the  
7 propriety of the transaction at this time?

8 A. I did, and I mentioned it to Mr. Tramiel  
9 and he said it had been arranged in Germany and  
10 the Canadian Bank was a subsidiary and, for  
11 internal reason, they were held here in Canada.

12 265 Q. Mr. Morgan, I questioned Mr. Tramiel  
13 at page 167 question 325 --

14 "Who managed the operations of Hugo  
15 Oppenheimbank (Canada) Limited?"

16 Mr. Pomerant interjected --

17 "Again, we are back into that.

18 THE DEPONENT: It was managed  
19 from Mr. Morgan at the top down to me,  
20 to Mr. Kapp and down to Mr. Draper and  
21 from instructions of Mr. Wirth from  
22 Germany but I would say it mostly came  
23 from the top, from Mr. Morgan officially."

24 Is that true?

25 A. It is not true.

26 266 Q. Further I questioned Mr. Tramiel --

27 "Mr. Morgan officially did not hold  
28 any shares in this company?"

29 I am referring to the Hugo Oppenheimbank (Canada)  
30

1 Limited His answer was

2 "Yes.

3 Q. By what right, why did you  
4 consider that he had the right to  
5 control the operations of this company?

6 A. Because Mr. Morgan has advanced  
7 all the money to buy these shares of  
8 Hyp Oppenheimbank Berlin, and in my  
9 eyes, he was controlling interest of  
10 the company.

11 Q. Because he controlled the German  
12 Bank, you felt he had the right to  
13 control the Canadian Bank?

14 A. The Canadian Bank."

15 Is that true, Mr. Morgan?

16 A. It is not true.

17 267 Q. We have ascertained that the shares in  
18 the Berlin Bank were registered in the name of  
19 Mr. Tramiel personally. Mr. Kapp, on his  
20 examination at page 48, was asked --

21 "This is the bank we refer to as the  
22 Berlin Bank?

23 A. The Berlin Bank, right. By  
24 Evermac, again under the direction of  
25 Mr. Morgan and by reason of the German  
26 Laws, or what have you, those trans-  
27 actions were carried on by Mr. Tramiel  
28 on a personal basis."

29 Did you authorize Mr. Tramiel to have the shares

1  
2 registered in his own name?

3 A. I did not authorize the holding of  
4 the shares in his own name. He told me that  
5 it was in accordance with the German Law it was  
6 not possible for a foreign corporation to hold  
7 the shares, so I accepted his explanation and  
8 the shares were issued in his name and were  
9 supposed to be transferred as collateral to  
10 Aurora in connection with Evermac's loan, to  
11 have a loan from them.

12 268 Q. Page 134, I questioned Mr. Tramiel,  
13 at question 666 --

14 "Mr. Tramiel, I was asking you concerning  
15 loans made by Hugo Oppenheimbank  
16 (Canada) Limited. You said you were  
17 not familiar with the loans made by  
18 that company?

19 A. Exactly.

20 Q. Why weren't you familiar with  
21 those loans?

22 A. The majority of those loans were  
23 directed by Mr. Morgan. I knew of the  
24 loans most of the time after the loans  
25 were made. I don't recall the exact  
26 loans what they are. I could only  
27 read it over from the book but the  
28 exact loans, I am not familiar with.

29 Q. Why would Mr. Morgan have the  
30 right to make loans by this company when

1  
2 he wasn't even a shareholder of the  
3 company?

4 A. Because if you go back when  
5 Mr. Morgan has advanced \$2,000,000.00  
6 to Evermac to buy those shares, Mr.  
7 Morgan was in control of all those  
8 companies.

9 Q. What companies are you referring  
10 to?

11 A. In this particular instance,  
12 Evermac, Hugo Oppenheim (Canada) Limited  
13 and Hugo Oppenheim Berlin, and Trans  
14 Commercial, Baronet et cetera.

15 Q. What was the procedure concerning  
16 how those loans were made?

17 A. As far as I know every loan which  
18 was made had come from Morgan or it was  
19 discussed with Morgan whether it should  
20 be made."

21 Is that true, Mr. Morgan that you directed every  
22 loan that was made by the Hugo Oppenheimbank  
23 (Canada) Limited?

24 A. Of course it is not true.

25 269 Q. Are the statements of Mr. Tramiel which  
26 I have just read to you, true?

27 A. I don't know what loans he is referring  
28 to and I would have to have a list of them but  
29 generally the statement is not true.

30 270 Q. Mr. Pomerant questioned him on page 136,

1 questioned Mr. Tramiel --

2 "When Mr. Morgan would make the loans  
3 you have mentioned, who was it that  
4 contacted somebody at Hugo Oppenheim  
5 (Canada) Limited? Would it be Mr.  
6 Morgan personally?  
7

8 THE DEPONENT: I would like to  
9 say again most of the time it would be  
10 Mr. Morgan personally or Mr. Morgan  
11 would advise me, or he would advise Mr.  
12 Kapp , or would give instructions  
13 direct."

14 Is that true?

15 A. That is not true.

16 271 Q. Then Mr. Pomerant asked --

17 "Did he ever deal through an accounting  
18 firm? Did you ever receive instructions  
19 or someone in your employ receive  
20 instructions from an accounting firm,  
21 or any other supplier?

22 THE DEPONENT: You'd usually had  
23 had to go back to some other people  
24 than Morgan because Hugo Oppenheim never  
25 had, I believe, moneys in their account.  
26 They always had to borrow the moneys.

27 MR. POMERANT: Who are the people  
28 who are in the periphery of Morgan that  
29 you occasionally either received  
30 instructions from, or had the whole

1 conversation with?

2 THE DEPONENT: That would be  
3 Mr. Wolfrey. Many of those discussions  
4 was Mr. Wagman.

5 MR. POMERANT: Were there occasions again  
6 with regard to those loans, when you  
7 would, or someone in your employ, would  
8 receive instructions from either Mr.  
9 Wagman or Mr. Wolfrey and the loans  
10 had taken place."

11 Did you authorize Mr. Wagman or Mr. Wolfrey to  
12 direct Mr. Tramiel or Mr. Kapp to make loans  
13 on behalf of Hugo Oppenheimbank (Canada) Limited?

14 A. I haven't got a list of the loans but  
15 the way they have set that answer up, I would  
16 say it would be impossible for me to operate  
17 under that basis.  
18

19  
20 ---Off the record discussion.

21  
22 BY MR. BAIRD:

23 272 Q. Mr. Morgan, the books of Evermac  
24 indicate that Evermac purchased shares of  
25 Pearlsound Distributors Limited from N.G.K.  
26 Investments Limited. It appears that the  
27 method of payment for those shares was that  
28 Commodore Sales Acceptance loaned Evermac  
29 \$53,000.00 then Evermac purchased from Don  
30 Mills 17,500 shares of Commodore Business



1 Machines for \$3.00 each and in turn, Evermac  
2 delivered those shares of Commodore Business  
3 Machines to N.G.K. Investments Limited. Are you  
4 familiar with this transaction?

5 A. Well, I am familiar with the transaction  
6 from the point of view of N.G.K. Investments.  
7 I was its president and we had -- we owned -- we,  
8 N.G.K. Investments Limited, had owned Pearlsound  
9 Distributors. This was about the time when  
10 Pro Musica was being taken over and managed by  
11 Mr. Tramiel -- that is Commodore Business  
12 Machines -- and Pearlsound was a company that  
13 was associated with Pro Musica. At that time  
14 Pearlsound was owned by N.G.K. and it was sold  
15 to Evermac for a certain number of shares of  
16 Commodore Business Machines -- I think around  
17 17,000 shares -- I am not sure of the exact  
18 number.  
19

20 273 Q. Records show 17,500?

21 A. 17,500. This operation was very closely  
22 tied in with Pro Musica so subsequently, in  
23 this year -- I think it was either in 1965 or  
24 late in 1964 -- Pearlsound was sold to Commodore  
25 Business Machines.

26 274 Q. I am aware of that, Mr. Morgan. I  
27 intend to deal with that in further questions.  
28 Why did N.G.K. sell shares of Pearlsound to  
29 Evermac?

30 A. Well, it was a financial transaction which

would, in the opinion of N.G.K., make a profit.

275 Q. Who decided the amount of the purchase price?

A. I think the equity capital was \$50,000.00 of Pearlsound and the surplus was around \$2,000.00 or \$3,000.00 at the time of the transaction. I think it was just a book value.

276 Q. Who negotiated the transaction on behalf of Evermac?

A. It was Jack Tramiel.

277 Q. Mr. Tramiel, at page 42 of his examination at question 201 was asked --

"Who negotiated this purchase?

A. For which company?

Q. For Evermac?

A. Mr. Morgan negotiated it himself."

Is that true?

A. I was not an officer of Evermac. The only way I could get the transaction done was the obvious one which was to discuss it with Mr. Tramiel. I negotiated from the N.G.K. part, or side of the bargain.

278 Q. Why did N.G.K. take shares of Commodore Business Machines rather than cash for the purchase price?

A. They felt that -- at least I felt, and I have always felt, that the shares of Commodore were a good investment and N.G.K. was an investment company and as such we kept

1 the shares. Eventually, later, we sold them.

2  
3 279 Q. It appears that Commodore Sales  
4 Acceptance loaned the money to Evermac to  
5 purchase shares of N.G.K. Did you authorize  
6 this loan?

7 A. Well, I would have indirectly authorized  
8 it through Mr. Wolfrey.

9 280 Q. Did N.G.K. insist they receive shares  
10 of Commodore Business Machines rather than  
11 cash for the purchase price?

12 A. Yes.

13 281 Q. Were you aware of the fact that  
14 Evermac purchased shares of Commodore Business  
15 Machines from a company known as Don Mills?

16 A. I was unaware of where the shares came  
17 from.

18 282 Q. Are you familiar with the company known  
19 as Don Mills?

20 A. No.

21 283 Q. Have you ever had any dealings with  
22 a company known as Don Mills?

23 A. I think Don Mills is a customer of  
24 Aurora but I don't know the complete set of  
25 facts. I don't have the records of Aurora.  
26 You asked this question before and I tried to  
27 recall but I can't recall the exact specifics.

28 284 Q. I am advised that Valley Farms and  
29 Enterprises Limited sold certain shares of  
30 Commodore Business Machines to a company known

as Don Mills. Are you aware of that?

A. I would have to check that.

285 Q. I understand that Mr. Tramiel and Mr. Kapp have signed documents on behalf of Don Mills?

A. I can't recollect anything in connection with Don Mills.

286 Q. Is Don Mills a limited company?

A. I don't know what it is. I can't recall the set up at all.

287 Q. I questioned Mr. Tramiel as to who Don Mills was. I asked him, or he was asked concerning Don Mills. His answer was--

"I have formed this company as an individual because Commodore Business Machines (Canada) Limited or Commodore Business Machines Inc. in New York had made a large purchase of machines from a company called Remington Rand. This particular company called Don Mills supposed to be a guarantor for the purchase. That was the only way it could be done. Remington was not looking at the assets. They were looking there should be a company in the middle. This is why this company was formed and I would like to say after, the company was not doing any business because it served the purpose

1 the same way and always got involved  
2 back to C.P. Morgan.

3 Q. Was this transaction with  
4 Remington Rand prior to your association  
5 with Mr. Morgan?

6 A. No, it was not prior to the  
7 association with Mr. Morgan. It was  
8 after the association with Mr. Morgan  
9 but this was when it was formed. It  
10 was a deal strictly to do with  
11 Commodore Business Machines Inc. or  
12 Limited.

13 Q. What did the company do after  
14 that?

15 A. It was involved wherever Mr.  
16 Morgan gave instructions and I can't--  
17 I don't recollect all the transactions  
18 they did."

19 A. I don't know anything about it. I  
20 don't know what he is driving at. I can't  
21 make sense out of it.

22  
23 288 Q. I am advised that Aurora loaned money  
24 to a company by name of Don Mills. Why would  
25 Aurora have loaned money to this company?

26 A. Mr. Farlinger was asking me about this  
27 same transaction and we haven't been able to  
28 find the transactions at all in the books and  
29 I can't say. I am still looking for the  
30 answers.

1 239 Q. I questioned Mr. Tramiel at page 46  
2 of his examination at question 229 --

3 "Did you sign documents on behalf of  
4 this company, Don Mills?

5 A. Could be.

6 Q. On whose instructions did you  
7 sign those documents?

8 A. On the instructions of Mr. Morgan."

9 A. This isn't true.

10 290 Q. I questioned Mr. Tramiel at page 45  
11 of his examination --

12 "Who was Don Mills? Is it a company  
13 by name of Don Mills? Is it a person,  
14 or what is it?

15 A. I think -- I don't know if it  
16 was a company or a partnership or it  
17 was something---

18 Q. Who was involved in it?

19 A. Mr. Morgan.

20 Q. Did you have any dealings person-  
21 ally with that outfit or company, or  
22 business by name of Don Mills?

23 A. On the same basis as Evermac."

24 A. What does that mean?

25  
26 291 Q. This means -- I interpret this answer  
27 to mean he was acting as your nominee for any  
28 transactions with the company known as Don Mills.  
29 Is that correct?

30 A. That is not correct, I can't -- not

1 having knowledge of the transactions being  
2 inquired into, all I can say is that I can't  
3 recall anything in connectio with it.

4 292 Q. The specific transaction I am referring  
5 to is the purchase of 17,500 shares of  
6 Commodore Business Machines through Don Mills  
7 by Evermac. Are you familiar with this?

8 A. No. All I know is the 17,500 shares  
9 that H.G.K. acquired from Evermac in return for  
10 Pearlsound.

11 293 Q. The next transactio according to the  
12 books of Evermac was a transaction of April  
13 14th 1965 where Pearlsound shares were sold by  
14 Commodore Business Machines in exchange for  
15 7500 shares of Commodore Business Machines valued  
16 at \$70,000.00. Were you involved in this  
17 transaction, Mr. Morgan?

18 A. I was at that time, the Chairman of  
19 the Board of Commodore Business Machines and  
20 it was advanced, on Mr. Tramiel's recommendation,  
21 that the company purchase Pearlsound and this  
22 was done at a regular documented meeting of the  
23 directors, yes.

24  
25 294 Q. Who determined the sale price that  
26 Evermac was asking for the shares of Pearlsound?

27 A. This was apparently the market value of  
28 the stock at that time and the book value of  
29 Pearlsound at that time was around the figure  
30 \$70,000.00 mark.

1 295 Q. When you talk about market value,  
2 you are talking about the market value of  
3 shares of Commodore Business Machines?

4 A. Right.

5 296 Q. You say the book value of Pearlsound  
6 was about \$70,000.00 at that time?

7 A. Yes, correct.a

8 297 Q. When the Board of Directors of  
9 Commodore Business Machines authorized the  
10 purchase of the shares, did Mr. Kapp and Mr.  
11 Tramiel declare they were shareholders in Evermac?

12 A. I believe they did. I would have to  
13 check through the minute book of Commodore  
14 Business Machines but I think the transaction  
15 was -- they declared their interest and I think  
16 it was voted to acquire it.

17 298 Q. I questioned Mr. Tramiel on page 50  
18 of his examination at question 252 --

19 "How was the value for the purchase  
20 of Pearlsound shares determined?

21 A. Speaking for Commodore Business  
22 Machines, we had a Board of Directors  
23 meeting and we presented the statement  
24 of the Board of Directors. We looked  
25 at the company and this was the price  
26 which was asked and this was the price  
27 that Mr. Morgan recommended to get.

28 Q. Who asked the price?

29 A. I have to go back again. It must  
30



1 have been negotiation with Mr. Morgan  
2 himself."

3 A. I would say between -- the answer is  
4 between Mr. Tramiel and the Board of Directors.

5 299 Q. Mr. Tramiel has indicated throughout  
6 this examination that he was acting on behalf of  
7 Commodore and you were acting on behalf of  
8 Evermac in the negotiation of the purchase price.  
9 Is that correct?

10 A. No, this is not correct.  
11

12 ---Off the record discussion.  
13

14 BYMR. BAIRD:  
15

16 300 Q. I questioned Mr. Tramiel at page 52  
17 at question 261 --

18 "You negotiated the purchase price  
19 with Mr. Morgan. Whom are you acting  
20 on behalf of?

21 A. I was negotiating the price with  
22 Mr. Morgan when I was negotiating for  
23 Commodore.

24 Q. You were negotiating with Commodore?

25 A. Yes.

26 Q. Did you take part in negotiations  
27 for Evermac? You were President of  
28 Evermac?

29 A. But I didn't do any negotiations  
30 because the moneys were moneys that

belonged to Mr. Morgan so I had to negotiate with him."

In that time, Mr. Morgan?

A. This isn't true. The whole recommendation with regard to the purchase of Pearlsound was instigated and brought to the Board of Directors by Mr. Tramiel.

301 Q. Was he acting as President of Evermac when he brought this recommendation to the Board of Commodore Business Machines?

A. Yes, he was acting as President of Evermac and at the directors' meeting, he declared his interest and let the Board settle the purchase price and it was again left at approximately book value at the time. You see, the reason they wanted to acquire Pearlsound -- Pearlsound and Pro Musica were housed in their warehouse out there on ---

302 Q. When you say "their warehouse" to whom are you referring?

A. Commodore Business Machines' warehouse out on Warden Avenue. They operated under the same roof. They assembled Hi-Fi equipment right there.

303 Q. I questioned Mr. Kapp on page 8 of his examination --

"I am asking why Evermac purchased Pearlsound. I understand he was an officer and director of Evermac at the

1 time the business was purchased.

2 MR. POMERANT: I understand he  
3 was a director and officer in name only."  
4 There was some discussion between myself and Mr.  
5 Pomerant and then I said --

6 "It is up to Mr. Kapp to say if he  
7 knows or does not know why Pearlsound  
8 Distributors was purchased. I would  
9 like Mr. Kapp to answer my question.

10 MR. POMERANT: Answer the  
11 question.

12 THE DEPONENT: After the company  
13 became inactive whatever the date was,  
14 I didn't have too much to do. There  
15 was nothing to do in the company and at  
16 the suggestion of Mr. Morgan, it was  
17 at the direction of Mr. Morgan, Pearlsound  
18 was bought by Evermac.

19 Q. What right had Mr. Morgan to  
20 give this direction to Evermac?

21 A. Mr. Morgan was of course -- we  
22 were working for him.

23 Q. In what way were you working  
24 for him?

25 A. In Commodore."

26 Is this true, Mr. Morgan?

27 A. That is an impossible statement. Mr.  
28 Kapp was the Vice-President of Commodore Business  
29 Machines (Canada) Limited, a public company, and  
30

as such, he must work for the corporation. He couldn't possibly work for me.

304 Q. Further, I questioned Mr. Kapp at page 10 --

How was the direction given by Mr. Morgan?

MR. POMERANT: Direction with regard to Evermac?

MR. BAIRD: Direction wherein Mr. Kapp says Mr. Morgan required Evermac to purchase shares of Pearlsound Distributors Limited?

THE DEPONENT: Well, the sale had pretty well been arranged with Mr. Morgan and told Mr. Tramiel and I were not present exactly what happened and wanted to sell this company and suggested it should be put through Evermac."

A. I have answered this question before in connection with Mr. Tramiel's testimony, and I will repeat it again. The arrangement between Mr. Tramiel and I was that they, Commodore Business Machines, would take over the management of Pro Musica and as Pearlsound was an associated company at the manufacturing end of the business, it was in their interest to acquire the two companies together and they put them under the one roof out on Warden Avenue.

1  
2 305 Q. I questioned Mr. Kapp as to why the  
3 shares of Pearlsound Distributors Limited were  
4 purchased from N.G.K. for 17,500 shares of  
5 Commodore Business Machines and I also, at  
6 page 11 question 45, I asked --

7 "Who determined the manner in which  
8 the shares would be purchased and the  
9 manner by which the shares of Pearlsound  
10 Distributors Limited were paid for?

11 A. I would assume Mr. Morgan would  
12 determine it."

13 A. This is the same answer as Mr. Tramiel  
14 gave and as far as I am concerned, the arrange-  
15 ment was made between Mr. Tramiel and myself,  
16 I acting on behalf of N.G.K. and he acting on  
17 behalf of Evermac.

18 306 Q. Mr. Morgan, the books of account of  
19 Evermac indicate on January 16th, 1963, the  
20 shares of Humber Typewriter and Business  
21 Equipment Limited were purchased from Pearlsound  
22 by Evermac for \$111,600.00. Are you familiar  
23 with that purchase?

24 A. Yes, I was. I don't think I was the  
25 Chairman but I was on the Board of Directors.

26 307 Q. This is a purchase where the shares of  
27 Humber were purchased by Evermac through Pearlsound?

28 A. I was aware of the purchase, yes.

29 308 Q. Why were you aware of the purchase?

30 A. Mr. Tramiel advised me of the purchase.

1 309 Q. Were you involved in determining the  
2 amount of the purchase price?

3 A. I was not.

4 310 Q. Were you involved in negotiations  
5 involved in the purchase of the shares, or the  
6 agreement?

7 A. No, I wasn't.

8 311 Q. I questioned Mr. Tramiel --

9 "Did you approve the agreement?"

10 I refer to the agreement whereby Evermac Office  
11 Equipment purchased shares of Humber from  
12 Pearlsound. His answer, on page 57 at question  
13 294 was -- "Under the same basis as I approved  
14 many other agreements, with the blessing  
15 of Mr. Morgan.

16 Q. Did you approve the agreement  
17 because Mr. Morgan told you to?

18 A. Yes, correct.

19 Q. Did you exercise any independent  
20 thought concerning the agreement?

21 A. Well, I thought it was only  
22 as far as Humber was concerned, Humber  
23 was a company which was a profitable  
24 business but as far as how much money  
25 it was worth, or whatever it is, I  
26 had no thoughts on that."

27  
28 My question was --

29 "You already owned Humber. Evermac  
30 already owned Humber by owning these

1 shares of Pearlsound. What justification  
2 was there for purchasing those shares?

3 A. There were many things which to  
4 my mind had no justification but they  
5 were done.  
6

7 Q. Why did you approve it if there  
8 was no justification?

9 A. Going back to the same way if  
10 Mr. Morgan advised us to do it, he  
11 could do nothing wrong because he knew  
12 better how to run a business in my  
13 opinion, at that particular time.

14 Q. In this particular agreement, you  
15 were advised to approve it by Mr. Morgan?

16 A. Yes."

17 Is that true, Mr. Morgan?

18 A. No, as far as the inference of what  
19 Mr. Tramiel has said there, I flatly deny. I  
20 did know of the acquisition and this was wholly--  
21 I know nothing about the typewriter business.  
22 This was a retail typewriter company in Toronto  
23 here and all this was brought to a climax by  
24 Mr. Tramiel and the only part I might have had  
25 in the transaction would be if he required any  
26 money to handle the transaction. I might have  
27 made available money for him to acquire Humber  
28 but as far as having anything to do with the  
29 negotiations, the setting of the price, or  
30 anything else, that was all done by Mr. Tramiel.

312 Q. Why did Evermac purchase shares of  
Humber when it already owned shares of  
Pearlsound---

A. I am not certain.

314 Q. ---which owned shares of Humber?

A. I am not sure of the chronological  
order. When did Evermac acquire Pearlsound?

315 Q. In 1962?

A. In 1962. When did Pearlsound acquire  
Humber?

316 Q. We don't know.

A. This is the key to the thing.

317 Q. No it isn't, Mr. Morgan, because we  
know that Evermac owned the shares of Pearlsound  
at the time and that Pearlsound owned the shares  
of Humber at the time.

A. We didn't get Humber for nothing.

318 Q. They already owned it. On January  
16th---

A. When N.G.K. sold the shares of Pearlsound  
to Evermac, Humber was not owned by Pearlsound.

319 Q. Thank you. However, on January 16th,  
1963, Pearlsound owned the shares of Humber?

A. Therefore between the time when N.G.K.  
sold them and when he attempted to sell it here  
again Mr. Tramiel or Pearlsound, acquired Humber.  
This is where -- I had nothing to do with that.

320 Q. Then Evermac, which already owned the  
shares of Pearlsound, bought the shares of Humber



1 from Pearlsound?

2 A. Yes, but in the interval, Evermac did  
3 own the shares of Pearlsound therefore Pearlsound  
4 must have acquired Humber?

5 321 Q. I agree with you there?

6 A. What is the value of Pearlsound at that  
7 particular time including Humber because Humber  
8 was a good company. It showed a good profit and  
9 I know he paid him for over a period and he gave  
10 the cash, and he gave the shares. During that  
11 period of time, I had nothing to do with that  
12 transaction. I have never met that gentleman  
13 who owned the business. This was all carried out  
14 by Mr. Tramiel.

15 322 Q. The question that puzzles me is why it  
16 was necessary for Evermac to purchase shares  
17 of Humber when it already controlled Humber by  
18 having the shares of Pearlsound?

19 A. Mr. Tramiel controlled shares of the  
20 company and he acquired them.

21 323 Q. Can you give me an answer to my question  
22 as to why it was necessary for Evermac to  
23 purchase shares of Humber when it already  
24 controlled Humber because Humber was owned by  
25 Pearlsound and Pearlsound was owned by Evermac.

26 A. I cannot give you a logical answer  
27 but it could be looked into because it is an  
28 important link.

29 324 Q. When Mr. Tramiel, or when I asked him

1 direction and he could not justify it?

2 A. I think the books of Pearlsound should  
3 indicate the transaction if Humber was in fact  
4 owned by Pearlsound.

5 325 Q. Subsequently, on April 26th 1963,  
6 the shares of Humber were sold by Evermac to  
7 Commodore Business Machines for \$175,000.00.  
8 Are you familiar with this transaction?

9 A. Yes, I was familiar because I was a  
10 member of the Board of Commodore at that particular  
11 time and it had my blessing as director.

12 326 Q. How was the purchase price determined?

13 A. It would be, by the financial statement,  
14 a recommendation of Mr. Tramiel.

15 327 Q. Who negotiated the purchase price on  
16 behalf of Evermac?

17 A. Mr. Tramiel.

18 328 Q. Who negotiated the purchase price on  
19 behalf of Commodore Business Machines?

20 A. The Board.

21 329 Q. Did Mr. Tramiel, or did Messrs. Tramiel  
22 and Kapp declare they were the owners of Evermac  
23 at the time this sale was made?

24 A. To the best of my knowledge they did.

25 330 Q. Were you aware of the fact that Evermac  
26 had three months before this transaction, purchased  
27 the shares for \$111,600.00?

28 A. I have no knowledge of it at all. I  
29 don't know. Mr. Tramiel had operating control  
30

over both companies -- Pearlsound and Evermac,  
-- and during the interval, made the arrangements  
for the purchase.

---Off the record discussion.

BY MR. BAIRD:

331 Q. The summary of it, by Mr. Tramiel, was  
that the purchase price of the Humber shares  
when it was purchased from Pearlsound by Evermac  
at \$111,600.00 was determined by you. Is that  
correct?

A. That is not correct.

332 Q. When Commodore Business Machines  
purchased the shares of Humber, were you aware  
of the fact that three months prior to this time  
Evermac had purchased the shares of Pearlsound  
for \$111,600.00?

A. No.

333 Q. Were you aware of the fact that Evermac,  
in three months, was making a profit of \$63,400.00  
in respect of the shares of Humber?

A. Was it a straight purchase of shares?

334 Q. Yes. The books indicate it was a  
purchase of shares?

A. No.

335 Q. Who determined the purchase price of  
\$175,000.00 in the negotiations between

1 WHO was acting on behalf of Commodore Business  
2 Machines?

3 A. Well, the Board discussed the thing.  
4 I can recall quite a heated discussion about it  
5 and it was done generally with Mr. King and myself  
6 and the other Board members at the time.

7 336 Q. Who was negotiating on behalf of Evermac?

8 A. Mr. Tramiel.

9 337 Q. Mr. Tramiel has stated he was negotiating  
10 on behalf of Commodore and he was negotiating with  
11 you and that you were acting on behalf of Evermac.  
12 Is this true?

13 A. No, I say Mr. Tramiel was acting on  
14 behalf of Evermac and I was acting as member of  
15 the Board of Commodore.

16 338 Q. Mr. Kapp, in his examination at page  
17 22, was questioned concerning the agreement  
18 whereby the shares of Humber were purchased from  
19 Pearlsound Distributors by Evermac Office  
20 Equipment and he was asked --

21 "What were the circumstances surrounding  
22 the signing of this agreement?

23 A. As I told you, I don't remember  
24 the circumstances but it was probably  
25 because Mr. Morgan must have decided it  
26 would be better to have another one."

27 A. Another what? What does that mean?

28 339 Q. I don't know what it means, Mr. Morgan.

29 At page 35 of Mr. Kapp's examination. I questioned  
30

1 him concerning the profit which was made by  
2 Evermac when the shares of Humber were sold to  
3 Commodore Business Machines, as follows-

4 Under the transaction involving the  
5 purchase of the Humber shares from  
6 Pearlsound by Evermac and the subsequent  
7 sale to Commodore Business Machines,  
8 Evermac made a profit of \$63,400.00.  
9 The effect of this transaction would  
10 mean this profit is available for the  
11 shareholders of Evermac. Did you  
12 consider this when you signed the  
13 agreement dated April 18th, 1963  
14 between Evermac and Commodore?

15 A. No.

16 Q. But you are aware there was a  
17 difference in price?

18 A. Yes.

19 Q. You were aware this resulted in  
20 a profit to Evermac of \$63,400.00?

21 A. Yes.

22 Q. You were still prepared to sign  
23 the agreement?

24 A. Yes.

25 Q. Did you consider this proper?  
26 Did you consider this agreement proper?

27 A. Well no, I didn't necessarily  
28 consider it proper but on the other hand  
29 I didn't know it was improper either. As  
30

1 I say, I didn't give those transactions,  
2 shall I say, I was carrying out those  
3 things and as I told you before, for  
4 the obligation I had to Morgan in  
5 keeping Commodore going, I just went  
6 along and carried out the agreement."

7 Then he carries on after some discussion as to  
8 who was entitled to the profit. At page 38  
9 question 195, --

10 "Please answer my question. Did you own  
11 them in your own right? Were you  
12 entitled to any profit made by Evermac,  
13 or was someone else entitled to the  
14 profit?

15  
16 A. I understand Mr. Morgan was  
17 entitled to them."

18 A. This is absolutely untrue. It is the  
19 same answer I gave.

20 340 Q. Mr. Morgan, the trustee is advised by  
21 Messrs. Kapp and Tramiel that Baronet Associates  
22 Inc. was a subsidiary of Evermac and they held  
23 the shares of Baronet Associates Inc. as Trustee  
24 for Evermac and they have delivered their shares  
25 of Baronet Associates Inc. to the Trustee of  
26 Evermac. Are you familiar with the details of  
27 the operation of Baronet Associates Inc.?

28 A. No, except to this extent -- I  
29 arranged with Mr. Tramiel-- he was complaining  
30 about the rate of interest Commodore Sales

1 Acceptance was charging him. He said in order  
2 to simplify his operation, if they incorporated  
3 a company and put in some equity capital into  
4 Baronet and Trans Commercial, would I consider  
5 reducing the interest rate and allow them to  
6 handle the transactions through Baronet. I  
7 told him I would. I had nothing to do with the  
8 share capital of Baronet and I know nothing  
9 about its operations. I have never seen the  
10 transactions. All I have done is, through Mr.  
11 Wolfrey, approved and advance to them at a rate  
12 of eight and a half per cent.

13  
14 341 Q. What was the previous interest rate  
15 charged by Commodore Sales Acceptance to  
16 Commodore Business Machines?

17 A. Ten to twelve. It varied.

18 342 Q. Are you familiar with the details of  
19 sale of certain assets by Analogue to Commodore  
20 Dry Copy Inc.?

21 A. No. I know nothing about it at all.  
22 All I know it was done.

23 343 Q. Were you involved? Were you involved  
24 in determining the details of the transaction?  
25 Did you make any decisions concerning the  
26 transaction?

27 A. None whatsoever.

28 344 Q. Did you direct that transaction be made?

29 A. No, I did not.

30 345 Q. Were you an officer of Commodore Dry

1 Copy Inc. at the time?

2 A. I am not certain because Commodore Dry  
3 Copy was a wholly owned subsidiary of Commodore  
4 Business Machines and it is possible that in  
5 the set up, that I might have been an officer  
6 of Dry Copy. To my knowledge, I don't think I  
7 was nor do I ever recall signing any document  
8 or anything in connection with Commodore Dry  
9 Copy.

10 346 Q. I am advised that Analogue sold certain  
11 dry copy equipment to Commodore Dry Copy for  
12 \$698,000.00 U.S., in October of 1964. Are  
13 you familiar with that transaction?

14 A. I know that it took place but it was  
15 an agreement reached between Mr Tramiel and  
16 Analogue when the companies were separated,  
17 that he would take back all the Dry Copy,  
18 whatever it was, inventory, and parts.

19 347 Q. Why was this agreement made?

20 A. Well, because Commodore had divested  
21 itself of its shares in Analogue and Commodore  
22 Dry Copy was going to carry on on its own.

23 348 Q. What assets were transferred to  
24 Commodore Dry Copy as a result of this transaction?

25 A. I understand from Mr. Tramiel that the  
26 inventory of Dry Copy Machines, and machine  
27 parts, and for development work in connection  
28 with it, and all of that type of asset.

29 Q. Was this transaction approved by the  
30



Board of Directors of Commodore

Business Machines?

A. To my knowledge, no.

350 Q. Why would it not be approved by the  
Board of Directors?

A. I would think it should have been but  
it wasn't, to my knowledge. It might have been  
when I wasn't available. I haven't examined the  
minutes.

351 Q. Subsequently, the records indicate  
that Commodore Dry Copy sold a considerable  
amount of the assets it had purchased from  
Analogue to Jay Man for \$525,000.00 in December  
of 1964. Are you familiar with this transaction?

A. I am not.

352 Q. Do you know what was involved in the  
transaction?

A. No, I do not.

353 Q. Did you approve the transaction?

A. I did not.

354 Q. Was this transaction approved by the  
Board of directors of Commodore Business Machines?

A. It was not.

355 Q. Were you familiar with the transaction?

A. No, I was not.

356 Q. Who arranged the transaction?

A. I presume it must have been Mr. Tramiel.

357 Q. What authority did he have to enter  
into this type of transaction?

1 A. He was acting as President of the  
2 company.

3 358 Q. Was he authorized to enter into such  
4 a transaction in such a large amount without  
5 the approval of the Board of Directors?

6 A. In other words, as far as I am concerned,  
7 this matter was not discussed at any board meeting  
8 of Commodore that I was at.

9 359 Q. Please answer my question specifically.  
10 Did Mr. Tramiel have authority to enter into  
11 this transaction, of this nature, without the  
12 approval of the Board of Directors of Commodore  
13 Business Machines?

14 A. I couldn't answer that. It wasn't  
15 spelled out in the minutes of Commodore Business  
16 Machines.

17 360 Q. Did you, as director, consider he  
18 had authority to enter into a transaction of  
19 this nature without the approval of the Board  
20 of Directors of Commodore Business Machines?

21 A. As former director, I would have thought  
22 he would have got approval of the Board.

23 361 Q. As a former member of the Board, you  
24 felt it would have been necessary for him to  
25 get the approval of the Board?

26 A. Yes.

27 362 Q. While you were on the Board, were you  
28 aware of the fact this transaction had taken  
29 place?  
30

1 A. No.

2  
3 363 Q. I understand Jay Man paid for the  
4 equipment by assuming an obligation of Commodore  
5 Dry Copy to Baronet Associates in the amount of  
6 \$525,000.00. Are you familiar with this trans-  
7 action?

8 A. No. All I know is that Jay Man was  
9 a customer of Mr. Wolfrey through Commodore  
10 Sales Acceptance and one of his Baronet customers  
11 were Jay Man. This is the first time I had even  
12 heard of the company.

13 364 Q. You state one of Baronet's customers  
14 was Jay Man?

15 A. No, one of Baronet's customers was Jay  
16 Man and Baronet dealt with Commodore factors,  
17 I believe.

18 365 Q. Did you control any operations, or  
19 have any direction of the operations of Jay Man?

20 A. No, I did not.

21 366 Q. Did you have any knowledge of the  
22 affairs of Jay Man?

23 A. I did not.

24 367 Q. In October 1964, Analogue sold to Jay  
25 Man \$300,000.00 worth of parts. Were you familiar  
26 with this transaction?

27 A. No, I was not.

28 368 Q. Were you an officer or director of  
29 Analogue?

30 A. At that time, I don't think so. I was

1 previously Chairman of the Board of Analogue  
2 when it was controlled by Commodore but by  
3 reason of the fact that I was a Canadian and  
4 Analogue was involved with making Government  
5 secret potentiometers and that sort of equipment,  
6 I had to be cleared for security with the States  
7 -- that is the Federal Government in Washington.  
8 Rather than go through that red tape, I resigned  
9 so I can't tell you the exact time but it was --  
10 the last statement that I had anything to do with  
11 in Analogue was October 31st 1963.  
12

13 369 Q. Did you direct, or were you aware of  
14 the fact that the shares of Baronet Associates  
15 Inc. were held by Messrs. Tramiel and Kapp for  
16 Evermac?

17 A. I was not.

18 370 Q. Did you have any interest in Baronet  
19 Associates Inc.?

20 A. No, I did not.

21 371 Q. Did you have any control or direction  
22 over the loans made by Baronet Associates Inc.?

23 A. Perhaps to a degree. Mr. Wolfrey would  
24 bring to me from time to time, requests for  
25 Baronet to borrow money and it is quite possible  
26 that I could have discussed with Mr. Tramiel  
27 the reason, or where the money was going.

28 372 Q. Did Baronet loan money to Jay Man?

29 A. Yes, they did. They were one of the  
30 customers of Baronet.

1 373 Q. Did you approve of the loan to Jay Man?

2 A. I approved it through Mr. Wolfrey to  
3 loan the money to Baronet and get the necessary  
4 documents.  
5

6 374 Q. Why would you approve a loan to Jay  
7 Man?

8 A. I approved a loan to Baronet.

9 375 Q. But you knew Baronet was using the  
10 money, or was going to loan the money to Jay  
11 Man, or had already loaned money to Jay Man?

12 A. Well, in connection with this company,  
13 I knew it was created by Mr. Tramiel. I asked  
14 him about it. I knew they were located in New  
15 York and I was aware, in other words, that it  
16 existed.

17 376 Q. Why did it merit having money loaned  
18 to it?

19 A. I relied upon Mr. Tramiel's integrity.

20 377 Q. You didn't go in to determine what  
21 assets it had, or what its financial position  
22 was?

23 A. No, I expect that would be done in  
24 our normal course of business.

25 378 Q. But you did not do it?

26 A. I did not do it.

27 379 Q. Or you made no direction it be done?

28 A. No, I made no specific direction it  
29 should be done.  
30

MR. BAIRD: That is all. Mr. Morgan.

1 We will adjourn the examination throughout our  
2 investigation in case other matters come up we  
3 want to ask you about.  
4

5 - - -

6  
7 I hereby certify the foregoing to be  
8 the continuation of the examination of C. POWELL MORGAN,  
9 under Section 121 of the Bankruptcy Act, taken in shorthand  
10 before me on the 29th day of October, 1965.

11 Certified correct:

12  
13 *Jean Bert*  
14

15 Chartered Shorthand Reporter

*Peter W. McHugh*  
16  
17  
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SPECIAL EXAMINER



# ROYAL COMMISSION

ATLANTIC ACCEPTANCE CORPORATION LIMITED

EXHIBIT No. ....

PER \_\_\_\_\_ REGISTRAR \_\_\_\_\_ DATE \_\_\_\_\_

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